BC STATS
Province of British Columbia
Ministry of Finance and Corporate Relations

Infoline

Issue: **97-11** **8** Pages
March 14, 1997

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http://www.bcstats.gov.bc.ca

Report

The End of Poverty?

BC at a glance . . .

POPULATION (thousands)	Oct 1/96	% change on year ago
BC	3,888.5	2.5
Canada	30,101.6	1.2
GROSS DOMESTIC PRODUCT		% change
(BC - at market prices - $ millions)	1995	on year ago
Current Dollars	103,273	4.6
Constant (1986) Dollars	74,107	1.9
TRADE ($ millions)		
Manufacturing Shipments (seas. adj.) Dec	2,726	-0.6
Merchandise Exports (raw) Dec	2,031	-5.0
Retail Sales (seasonally adjusted) Dec	2,551	-1.0
CONSUMER PRICE INDEX		% change
(all items - 1986=100)	Jan '97	on year ago
BC	139.0	0.7
Canada	137.1	2.2
LABOUR FORCE (thousands)		% change
(seasonally adjusted)	Feb '97	on year ago
Labour Force - BC	2,000	2.7
Employed - BC	1,828	2.6
Unemployed - BC	173	3.7
		Feb '96
Unemployment Rate - BC *(percent)*	8.6	8.5
Unemployment Rate - Canada *(percent)*	9.7	9.6
INTEREST RATES (percent)	Mar 12/97	Mar 13/96
Prime Business Rate	4.75	7.00
Conventional Mortgages - 1 year	5.05	7.00
- 5 year	7.00	8.50
US/CANADA EXCHANGE RATE	Mar 12/97	Mar 13/96
(avg. noon spot rate) Cdn $	1.3636	1.3675
US $ *(reciprocal of above rate)*	0.7334	0.7313
AVERAGE WEEKLY EARNINGS		% change
(industrial aggregate - dollars)	Dec '96	on year ago
BC	609.66	2.6
Canada	592.83	2.7

SOURCES:
Gross Domestic Product: Statistics Canada, revised by BC STATS
Population, Trade, Prices, Labour Force, Earnings: Statistics Canada
Interest Rates, Exchange Rates: Bank of Canada Weekly Review

Ceck out our Website

As we enter the new fiscal year (April 1) with a sharply reduced budget you will find that virtually all services to the private sector continue only with a fee. Charging for services will help by reducing the workload; but it should also help to identify and respond to user needs.

Much of the information that is regularly requested has been placed on our Internet site for free access. Almost 65 megabytes of files—page images, tables, maps, etc.—are there now. A protected section that you can subscribe to for $100 per year will give you ten of our twelve periodical releases. We are currently planning a new search and navigation interface that uses maps and keywords to make finding things much easier.

We continuously update materials on the site and post information about additions under

New Features

on our home page. The listings there usually contain links to the new information.

Released this week by BC STATS

- Labour Force Statistics, February 1997

Next week

- Consumer Price Index, February 1997

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Infoline Report:

March 14, 1997

Have Income Redistribution Programs Been working? Yes and No . . .

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In Canada there are several income redistribution programs that are designed to reduce income inequality by shifting income from the rich to the poor. The question is, have these modern day equivalents to Robin Hood been working? And the answer is yes...and no. While the incomes of the very poor have been increased through government transfers, there still remains a substantial inequality in Canada's income distribution, and British Columbia proves to be no exception. This raises the question of how successful these programs have been in eliminating poverty in Canada.

According to the latest Statistics Canada release of Low Income Cut-Offs, or LICOs, there has been little movement in the last few years of the percentage of people with income below the cut-off line. LICOs are family size and locality dependent measures of income levels. LICOs are set at 20 per cent above the average amount of income that Canadian families or individuals spend on food, shelter and clothing, based on the latest Survey of Family Expenditure. Families or individuals who are in an income category below the LICO are considered to live in "straitened circumstances." LICOs are modified annually using the latest Survey of Consumer Finances and the most recent Survey of Family Expenditure (FAMEX) and adjusting for inflation using the Consumer Price Index (CPI). Table 1 gives the 1995 LICOs for Canada based on the 1992 FAMEX survey. Although Statistics Canada advises that LICOs are not meant to define a poverty line, they are often used for exactly that purpose due to the lack of other readily available measures.

Table 1
1995 LICOs (1992 base)

	Population of Community of Residence				
Family Size	500,000+	100,000-499,999	30,000-99,999	Less than 30,000	Rural
1	$16,874	$14,473	$14,372	$13,373	$11,661
2	$21,092	$18,091	$17,965	$16,716	$14,576
3	$26,232	$22,500	$22,343	$20,790	$18,129
4	$31,753	$27,235	$27,046	$25,167	$21,944
5	$35,494	$30,445	$30,233	$28,132	$24,530
6	$39,236	$33,654	$33,420	$31,096	$27,116
7+	$42,978	$36,864	$36,607	$34,061	$29,702

Source: Statistics Canada, Catalogue 13-207-XPB.

Table 2
Persons in Low Income in British Columbia, 1980 to 1995

Year	1980	1981	1982	1983	1984	1985	1986	1987
Number ('000)	360	408	475	516	577	586	538	530
Incidence (%)	13.2	14.6	16.8	18.0	19.9	20.0	18.2	17.6
Year	1988	1989	1990	1991	1992	1993	1994	1995
Number ('000)	464	458	479	494	566	627	648	653
Incidence (%)	15.0	14.5	14.8	14.8	16.5	17.6	17.7	17.4

Source: Statistics Canada, Catalogue 13-569-XPB.

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Using these LICOs, 17.4 per cent of British Columbians were considered to be of low income status in 1995. This is down slightly from the previous year, but as can be seen from Table 2, the situation is far worse than it was just five years earlier. In absolute terms, there were more persons below the LICO in British Columbia than ever before, at approximately 653,000 people.

LICOs have been criticised on many grounds as not providing a useful measure of poverty. Due to the relative nature of the measure, there is the argument that poverty will never be eradicated as long as LICOs are used as a benchmark, since the poverty line will always be moving. For instance, it is possible for everyone in society to be better off, yet have no reduction in poverty, since relatively speaking, the people at the lower end of the spectrum will still be paying a larger portion of their income on the basics of food, clothing and shelter.

Another major criticism is that in calculating different LICOs for urban and rural areas, many basic expenditures are ignored. While the cost of housing is usually much less in rural areas than in urban areas, the cost of items such as transportation are far higher since they do not receive the same subsidies as are received in urban areas. Also, access to services such as health care and education is usually poorer in rural areas, and many retail items are more expensive in rural areas due to less competition. This means that, with the exception of housing, people in rural areas often have to pay more to get the same standard of living as those residing in urban areas. While it may still be less expensive overall to live in rural areas when housing is taken into account, it is unlikely that the differences are as large as those reflected in the LICOs.

One further criticism of LICOs is that they are based on before tax income, and therefore do not take into account the effects of taxes and transfers. This may in fact overstate the proportion of those with low income, since not all government redistribution transfers are taken into account.[1]

While there are problems with LICOs, there are also difficulties with other measures of poverty. Many argue that poverty lines should be based on the cost of a basic basket of goods, but then the question arises of what to include in that basket. Is entertainment considered a basic need? Should anyone who can properly feed, clothe and house themselves not be considered poor, even if they have no income remaining for anything else, such as entertainment, basic transportation, telecommunication, and so on? If one asks different people these questions, one will likely get different responses.

It becomes clear as one tries to define poverty that any definition will be subjective and subject to disagreement. With this in mind, Statistics Canada's LICOs may be as good a measure as any—despite Statistics Canada's objections that they are not intended to be used as poverty lines (This begs the question that if those people living in "straitened circumstances" are not to be considered poor, then what is the purpose of determining Low Income Cut-Offs in the first place?).[2]

Figure 1 displays the gender breakdown of the data presented in Table 2. Clearly, there is a gender difference in incidence of low income, with females experiencing it in greater percentages than males. This may be due, in part, to the continuing systemic problem where male-dominated professions tend to be paid higher wages than those dominated by females. More likely, however, it is the greater preponderance of lone parents who are female. According to Statistics Canada, 56.8 per cent of female lone-parent families had low income (compared to 12.8 per cent of two-parent families).

[1] Actually, Statistics Canada has begun to produce after tax LICOs, but the before tax numbers are still the ones that are usually quoted.

[2] The Oxford Dictionary defines "straitened circumstances" as "characterized by poverty."

Figure 1

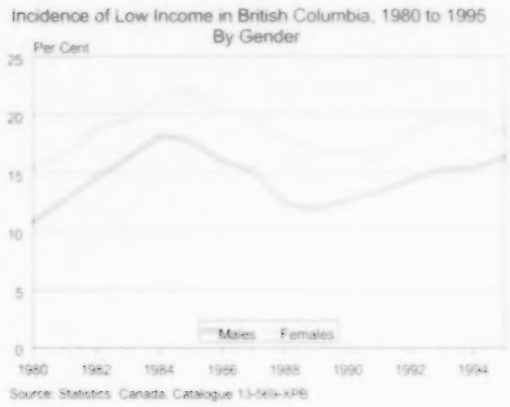
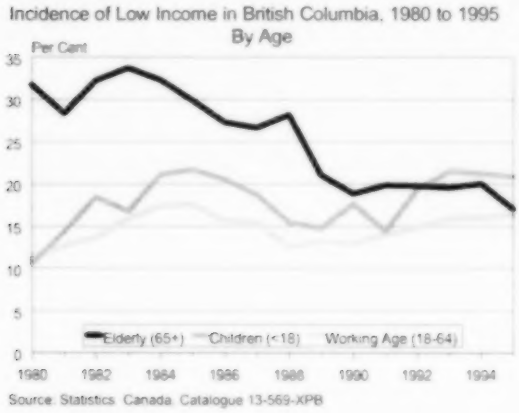


Figure 2 shows that there are also differences in the incidence of low income between different age groups.

Figure 2



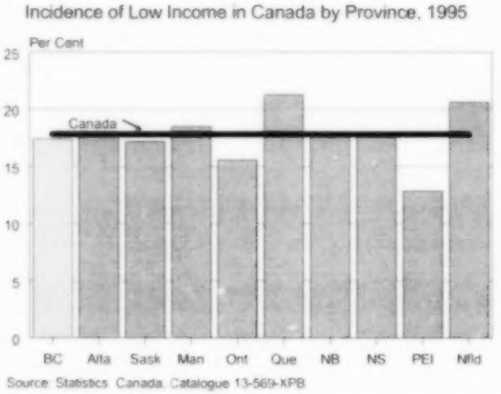
In 1980, in British Columbia, almost one third of people over the age of 65 were below the LICO. This situation has since improved dramatically with the incidence of low income among the elderly approaching that of the working age population; however, the incidence of low income among children is significantly higher than that of the remainder of the population. Once again, this is likely due to an increase in lone-parent families and the greater likelihood of these families having low income. According to Statistics Canada, children in female lone-parent families were four times more likely to be below the LICO than those in two-parent families.

However, the statistics with regard to the elderly can be deceiving. Hidden in the total figure is a substantial gender gap, with elderly females experiencing low income at a rate approximately 10 per cent higher than elderly males. This is likely due to a lack of pension income, combined with longer life spans, such that even in cases where they were receiving some kind of pension benefits or life insurance from deceased spouses, these benefits are beginning to run out. This gap will likely decline in the future since a greater percentage of women are working, which means more women will have pension eligibility when they retire.

Figure 3

A comparison of British Columbia with the rest of Canada reveals that the incidence of low income is slightly less than the Canadian average. Somewhat surprisingly, Prince Edward Island has the lowest incidence of low income, followed by Ontario. At the other end of the scale, Quebec has the highest incidence of low income, followed by Newfoundland. Figure 4 compares incidence of low income by province for 1995.

Figure 4

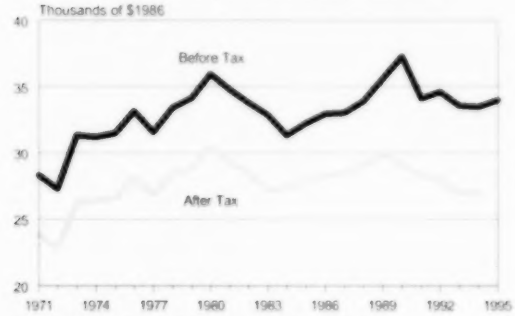


While British Columbia may be slightly better off than the Canadian average, the number of people with low income in British Columbia has been increasing at a faster rate. In 1980 only 13.2 per cent of British Columbians were below the LICO compared to 16.0 per cent for Canada as a whole. During the mid-eighties, the incidence of low income was actually higher in British Columbia, reaching a peak of a 2.3 percentage point difference in 1985. Around this time British Columbia was still in recovery from the 1982 recession that affected the entire country, but which impacted British Columbia particularly hard and from which recovery was slow to occur.

In British Columbia, the overall average real income (before tax, in 1986 constant dollars) of families and unattached individuals rose slightly between 1994 and 1995, to $33,917 from $33,413. As can be seen from Figure 5, the growth in average real income has been fairly stagnant in recent years after some volatility through the eighties (peaking, then falling, then peaking again), and steady growth in the seventies. It is well below the 1990 peak level, and is also lower than the level of the early eighties. After tax income for 1995 is not yet available, but Figure 5 shows that it basically follows the same pattern as before tax income, except at a lower level and with less amplitude in its movements.

Figure 5

British Columbia Average Income
of Families and Unattached Individuals



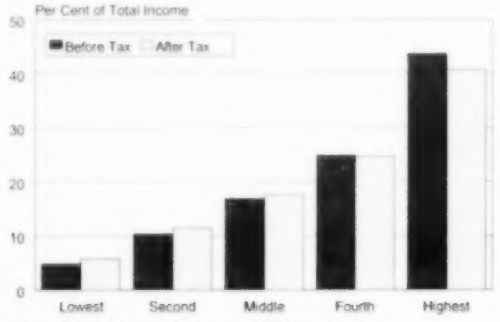
Source: Statistics Canada, Catalogues 13-207-XPB, 13-210-XPB

Between 1981 and 1994, average real after tax income in British Columbia fell by approximately 8 per cent. The brunt of this decline was experienced by the middle income earners. Looking at income quintiles (i.e., income classes, each containing one fifth of income earners), the highest 20 per cent of income earners experienced only about a 3 per cent decline in income between 1981 and 1994. The next highest quintile experienced a 6 per cent decline. By contrast, both the second and middle quintiles experienced an 8 per cent decline. However, on the positive side, the lowest quintile actually experienced just under a 3 per cent increase in real after tax income. When percentage shares of after tax income by quintile are examined, the income squeeze of the middle class can be seen more clearly. From 1980 to 1994, the top 40 per cent of income earners experienced virtually no change in their share of after tax income; however, the middle income quintile's share declined, while the lowest income quintile experienced a corresponding increase in its share.

Figure 6 shows the disparity between the rich and the poor in Canada. Before taxes, the bottom 40 per cent of income earners accounted for less than 15 per cent of total income earned in Canada. Conversely, the top 20 per cent earned almost three times as much. With taxes and transfers taken into account, the bottom 40 per cent of income earners accounted for approximately 17 per cent of total income earned in Canada, while the top 20 per cent still earned just under two and a half times as much.

Figure 6

Families and Unattached Individuals by Income Quintile
Canada, 1994



Source: Statistics Canada, Catalogues 13-207-XPB, 13-210-XPB

Different measures exist to gauge the extent of such inequities of distribution. One such measure is the "Gini Coefficient." [Please see end note on next page] Statistics Canada calculated Gini coefficients on before and after tax income from 1971 to 1994, which are displayed in Table 3.

Table 3
Gini Coefficients, Canada, 1971 to 1994

Year	Income Before Tax and Transfers	Income After Tax
1971	0.447	0.373
1972	0.446	0.368
1973	0.445	0.368
1974	0.441	0.363
1975	0.451	0.364
1976	0.462	0.374
1977	0.445	0.362
1978	0.455	0.367
1979	0.436	0.355
1980	0.442	0.358
1981	0.437	0.351
1982	0.453	0.353
1983	0.471	0.363
1984	0.469	0.359
1985	0.466	0.358
1986	0.467	0.359
1987	0.468	0.357
1988	0.469	0.355
1989	0.461	0.352
1990	0.470	0.352
1991	0.486	0.357
1992	0.491	0.356
1993	0.497	0.358
1994	0.495	0.354

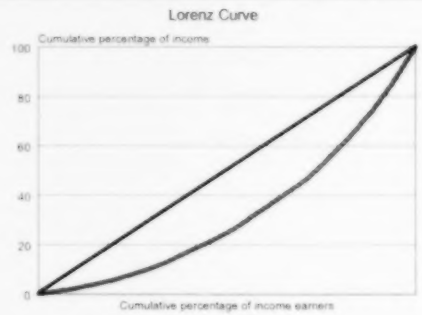
Source: Statistics Canada, Catalogue 13-210-XPB.

It can be seen that for income before taxes and transfers, there has been a substantial increase in inequality from 1971 to 1994, particularly over the last four years. However, when after tax income is examined, the inequality has actually declined. Unfortunately, most of the strides towards reducing income inequality were made in the seventies. Since 1980, the after tax Gini coefficient for Canada has changed very little. Of course, there are two ways of looking at this. Since the before tax Gini coefficient has increased since 1980 and the after tax coefficient has not, one can argue that government income redistribution efforts have been working, at least to the extent that those at the low end of the income ladder are no worse off than they were 15 years ago. On the other hand, one must look at whether or not the inequality that existed 15 years ago, and still exists today, is at an acceptable level. If it is deemed that this level of inequity is not acceptable, then one can say that the government has been remiss over the last 15 years in addressing the income gap in Canada.

While LICOs are not technically a measure of poverty, in combination with evidence supplied by the Gini coefficient, they do give an indication that there may be still some way to go before poverty in Canada is no longer an issue. One of the arguments against using LICOs as a measure of poverty is its relative nature; however, the question remains whether it is enough to simply increase the welfare of those with the lowest incomes, while doing nothing about the significantly skewed distribution in favour of the rich. Is it acceptable to compare low income Canadians to people in third world countries and therefore conclude that there are virtually no Canadians living in poverty, or should the measure be more relative to the conditions of other Canadians and the standard of living enjoyed in this country?

It appears that redistribution programs have gone only part way toward eradicating poverty. While the poor are undeniably better off than they would be without these programs, the richest portion of Canadian society still earns a disproportionate amount of total income.

The Gini coefficient is related to the Lorenz curve, which is simply a graph with the cumulative percentage of income earners arranged in order of size of income on the horizontal axis, and the cumulative share of income on the vertical axis. The curve created when these values are plotted is the Lorenz curve (se figure below). The Gini coefficient measures the area between the diagonal of the chart and the Lorenz curve as a proportion of the total area under the diagonal. If income is distributed evenly to everyone, the Gini coefficient would equal zero. Conversely, if only the top income earner received income and all others received nothing, the Gini would equal one. In other words, the higher the Gini coefficient, the greater the inequality



BC STATS
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highlights

March 14, 1997
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a weekly digest of recently released British Columbia statistics

Business and Economics

- **The number of new motor vehicles sold in BC was up sharply in January, increasing to 31% over the January 1996 level.** However, sales fell 18.2% in January last year, to their lowest level since 1985. The strong year-over-year growth in January is somewhat illusory since it is largely due to a recovery from the abnormally low sales twelve months ago.

  Nationally, new vehicle sales were up 8.7% in January, with all provinces except Nova Scotia (-4.1%) and New Brunswick(-15.3%) recording increases. *Source: Statistics Canada*

- **Department store sales in British Columbia and the two territories were 8.5% higher in January than in the same month last year.** Department store sales were up in every part of the country, with the strongest increase recorded in Alberta (10.1%). In other provinces, sales growth ranged from a low of 2.6% in New Brunswick to 9.5% in Saskatchewan. The national increase was 7.9% in January.
  Source: Statistics Canada

- **Consumer and business bankruptcies in the province increased 29% during 1996, as the number of consumer bankruptcies rose 36% to 6,437.** Business bankruptcies declined slightly (-3%), to 946 last year. British Columbia was one of only two provinces where the number of business bankruptcies was down in 1996 (in Alberta, business bankruptcies declined 6% last year). Nationally, the number of bankruptcies increased 19%, with most of the gain coming from a rise in consumer (+22%) bankruptcies. Canadian business bankruptcies rose only moderately (+7%).

  The number of bankruptcies was up in all provinces, with the largest increase (51%) occurring in New Brunswick. Manitoba (12%) and Newfoundland (13%) recorded the smallest increases in consumer and business bankruptcies during 1996. *Source: Industry Canada*

Housing

- **The cost of new housing in Vancouver and Victoria continued to spiral downward in January.** New house prices in Vancouver were 4.6% lower than in January 1996, while new housing in Victoria cost 4.5% less than in the previous year. Canada's new housing price index (NHPI) also declined in January, falling 0.6%. House prices were down in Toronto (-0.6%), Quebec City (-1.6%) and in most of Atlantic Canada (except Charlottetown, where house prices rose 0.5%). Calgary (+5.5%) recorded the strongest gain in new house prices during the twelve-month period ending in January. *Source: Statistics Canada*

- **Housing starts in urban British Columbia rose 40.3% (seasonally adjusted) in February, as starts of multiple-unit housing rebounded from a rather dismal January.** Housing starts in January had been low partly as a result of bad weather conditions. Multiple starts were up 78.9% in February, while single unit starts increased 5.9%. In Vancouver, housing starts rose 19.4%, but the strength was even more pronounced in the rest of the province, where starts increased 59.8% in February.

  Nationally, housing starts rose 9.6% in February. BC's increase was the largest in the country. The Prairie provinces also recorded strong growth (21.5%) in housing starts. Atlantic Canada (-43.0%) was the only region where housing starts declined in February.
  Source: Canada Mortgage and Housing Corporation

- **In 1995, British Columbia was the principal destination for rail traffic in Canada, accounting for 36% of total tonnage.** Almost two-thirds

For data originating from Statistics Canada: data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the publication name or catalogue number.

Did you know...?
In 1996, 2.4 billion litres of soft drinks were produced in Canada.

of the freight destined for BC came from other provinces or the US. *Source: SC, Catalogue 52-216-XPB*

Agriculture

- **Farm workers in BC had the highest hourly wages in the country last year.** The average wage rate for hired agricultural labour in British Columbia was $10.16 per hour, almost a dollar more than the Canadian average ($9.18). In other provinces, farm wages ranged from an average of $8.39 in Atlantic Canada to $9.95 in Alberta.

  Farm wages in BC rose 5.4% in 1996. This was the second-highest wage increase in the country, after Quebec, where wages were up 5.7%, to $8.58 per hour. Nationally, farm wages increased 3.3% between 1995 and 1996.

  Source: Statistics Canada

- **In 1995, farm families in British Columbia earned an average income of $59,240.** This was the highest average income in the country. Farm family incomes in other regions ranged from $48,171 in Saskatchewan to $54,673 in Ontario. BC, Ontario, and Alberta ($52,590) were the only provinces where farm family income exceeded the national average ($51,440). However, BC and Ontario were also the only provinces where average non-farm income exceeded income from farming activities. When non-farm income was excluded from the total, BC was ranked sixth and Ontario was ranked fifth among the regions. Quebec ($33,117) had the highest average family income from farming activities, while Manitoba ($24,568) had the lowest average income.

  Source: Ministry of Agriculture, Fisheries and Food

Science and Technology

- **In 1994, R&D spending in British Columbia was $888 million–0.9% of GDP, or $240 per capita**. This was well below the national average of $409 per capita (1.6% of GDP). In other provinces, per capita spending on R&D ranged from $119 (0.7% of GDP) in Prince Edward Island to $497 (1.8% of GDP) in Ontario.

  Source: SC, Catalogue 88-001-XPB

- **The provincial government's total spending on science and technology (R&D plus related scientific activities) in 1994/95 was $199 million, or 0.4% of BC's budget.** More than half ($111 million) of this spending was intramural (research internal to government). Business enterprises ($57 million), educational institutions ($14 million), hospitals and health organizations ($7 million) and other organizations ($11 million) accounted for the remainder of provincial government spending on science and technology.

  Source: SC, Catalogue 88-001-XPB

Health

- **In 1994, three out of every five Canadian women aged 40 or more reported having had a mammogram at some time in their lives.** There were 252,198 mammograms performed in BC in 1994, translating to 32 mammograms for every 100 women in the province. Half of these mammograms were performed on a fee-for-service basis. BC has the highest mammography rate in the country. Mammography rates in the rest of Canada ranged from a low of 5 in Nova Scotia to 27 in New Brunswick. The national average was 23. BC, Yukon, and Saskatchewan were the only regions where a significant share of the mammograms were provided under a breast screening program. In the rest of Canada, most of the tests were done on a fee-for-service basis. *Source: SC, Health Reports, Winter 1996 Vol. 8, # 3*

The Nation

- **Canada's national debt stood at $469.9 billion at the end of January.** This was 2.2% higher than twelve months previously. The federal government's deficit for the first ten months of the 1996/97 fiscal year was $7.3 billion, compared to a $21.0 billion deficit at the end of January 1996. Two main factors have contributed to the improvement in the federal government's budgetary situation. First, the operating surplus has increased from $18.0 billion in 1995/96 to $30.0 billion as a result of higher revenues and lower program expenditures. In addition, lower interest rates have contributed to a 4.1% decline in debt interest charges despite the increase in the debt level. *Source: Federal Department of Finance*

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